

**LAWRENCE FREE PUBLIC LIBRARY**  
**Lawrence, Kansas**

**Financial Statements**

**December 31, 2014**

LAWRENCE FREE PUBLIC LIBRARY  
A Component Unit of the City of Lawrence, Kansas  
Annual Financial Statements  
For the Year Ended December 31, 2014

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1 - 2
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	3
Statement of Activities	4
Fund Financial Statements	
Balance Sheet - Governmental Funds	5
Reconciliation of the Total Governmental Fund Balances to Net Position of Governmental Activities	6
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	7
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances with the Government - Wide Statement of Activities	8
Statement of Revenues, Expenditures, and Changes in Fund Balances - Actual and Budget (Regulatory Basis)	
General Fund	9
Notes to the Financial Statements	10 - 16
Required Supplementary Information:	
Schedule of Funding Progress	17



## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Lawrence Free Public Library  
Lawrence, Kansas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lawrence Free Public Library, Lawrence, Kansas, component unit of the City of Lawrence, Kansas, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the "Kansas Municipal Accounting and Audit Guide." These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lawrence Free Public Library, Lawrence, Kansas, as of December 31, 2014, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

The Library has omitted management discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the schedule of funding progress on page 17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Mix Houser & Company PA*

Certified Public Accountants  
Lawrence, Kansas

April 6, 2015

LAWRENCE FREE PUBLIC LIBRARY  
STATEMENT OF NET POSITION  
December 31, 2014

Assets:

Current assets:

Cash and cash equivalents	\$ 1,218,243
Total current assets	<u>1,218,243</u>

Noncurrent assets:

Capital assets	4,561,016
Less: Accumulated depreciation	<u>1,700,841</u>
Total noncurrent assets	<u>2,860,175</u>

Total assets	<u>\$ 4,078,418</u>
--------------	---------------------

Liabilities:

Accounts payable	\$ 32,894
Accrued liabilities	3,168
Accrued compensation	207,156
Net other post employment benefit obligation	<u>6,660</u>
Total liabilities	<u>\$ 249,878</u>

Net Position

Invested in capital assets	\$ 2,860,175
Unrestricted	<u>968,365</u>

Total net position	<u>\$ 3,828,540</u>
--------------------	---------------------

The notes to financial statements are an integral part of this statement.

LAWRENCE FREE PUBLIC LIBRARY  
STATEMENT OF ACTIVITIES  
Year ended December 31, 2014

				Net [Expenses] Revenue and Changes in Net Assets
		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Total
<b>Governmental activities:</b>				
Culture and recreation	\$ 4,235,392	\$ 184,337	\$ 1,199,458	\$ [2,851,597]
Total	\$ 4,235,392	\$ 184,337	\$ 1,199,458	[2,851,597]

**General Revenues:**

City appropriation	3,383,260
Investments earnings	4,583
Miscellaneous	5,319
Subtotal general revenues	3,393,162
Change in net position	541,565
Net position - beginning	3,297,698
Prior period adjustment	[10,723]
Net position - beginning, restated	3,286,975
Net position - ending	\$ 3,828,540

The notes to financial statements are an integral part of this statement.

LAWRENCE FREE PUBLIC LIBRARY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2014

	<u>General</u>	<u>Capital Improvement</u>	<u>Total Governmental Funds</u>
Assets:			
Cash	\$ 600,364	\$ 617,879	\$ 1,218,243
Total Assets	<u>\$ 600,364</u>	<u>\$ 617,879</u>	<u>\$ 1,218,243</u>
Liabilities:			
Accounts payable	\$ 32,894	\$ -	\$ 32,894
Accrued liabilities	<u>3,168</u>	<u>-</u>	<u>3,168</u>
Total Liabilities	<u>36,062</u>	<u>-</u>	<u>36,062</u>
Fund Balances:			
Restricted	69,763	-	69,763
Assigned	38,000	617,879	655,879
Unassigned	<u>456,539</u>	<u>-</u>	<u>456,539</u>
Total Fund Balances	<u>564,302</u>	<u>617,879</u>	<u>1,182,181</u>
Total Liabilities and Fund Balances	<u>\$ 600,364</u>	<u>\$ 617,879</u>	<u>\$ 1,218,243</u>

The notes to financial statements are an integral part of this statement.

LAWRENCE FREE PUBLIC LIBRARY  
RECONCILIATION OF THE TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
December 31, 2014

Total Governmental Fund Balances	\$ 1,182,181
----------------------------------	--------------

Amounts reported for governmental activities in the statement of net position are different because

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds

The cost of capital assets is	\$ 4,561,016	
Accumulated depreciation is	<u>1,700,841</u>	2,860,175

The following liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.

These liabilities at year end consist of:

Net other post employment benefit obligation	[6,660]
Accrued compensation	<u>[207,156]</u>

Net Position of Governmental Activities	<u>\$ 3,828,540</u>
---	---------------------

The notes to financial statements are an integral part of this statement.



LAWRENCE FREE PUBLIC LIBRARY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
Year ended December 31, 2014

	<u>General</u>	<u>Capital Improvement</u>	<u>Total Governmental Funds</u>
Revenues:			
Intergovernmental	\$ 3,477,945	\$ -	\$ 3,477,945
Charges for services	14,359	-	14,359
Use of money and property	3,626	957	4,583
Fines, forfeitures and penalties	169,978	-	169,978
Friends of the Library donation	68,891	-	68,891
Other donations and grants	1,035,882	-	1,035,882
Transfer in	-	54,535	54,535
Miscellaneous	5,319	-	5,319
Total Revenues	<u>4,776,000</u>	<u>55,492</u>	<u>4,831,492</u>
Expenditures:			
Culture and recreation	4,741,532	-	4,741,532
Transfer out	54,535	-	54,535
Total Expenditures	<u>4,796,067</u>	<u>-</u>	<u>4,796,067</u>
Revenues Over [Under] Expenditures	[20,067]	55,492	35,425
Fund Balance, January 1	<u>584,369</u>	<u>562,387</u>	<u>1,146,756</u>
Fund Balance, December 31	<u>\$ 564,302</u>	<u>\$ 617,879</u>	<u>\$ 1,182,181</u>

The notes to financial statements are an integral part of this statement.

LAWRENCE FREE PUBLIC LIBRARY  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES WITH THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended December 31, 2014

Total Net Change In Fund Balances - Governmental Funds	\$	35,425
--	----	--------

Amounts reported for governmental activities in the statement of activities are different because

Capital outlays to purchase or build assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceeds depreciation in the period.

Capital outlays	\$ 1,425,138	
Depreciation expense and loss on disposal	<u>[860,927]</u>	564,211

In the statement of activities, certain operating expenses - accrued compensation and net other post employment benefits - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.

[58,071]

Changes In Net Position of Governmental Activities	\$	<u>541,565</u>
--	----	----------------

LAWRENCE FREE PUBLIC LIBRARY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET (REGULATORY BASIS) - GENERAL FUND  
Year ended December 31, 2014

	<u>Actual</u>	<u>Final/ Original Budget</u>	<u>Variance Positive [Negative]</u>
Revenues:			
Intergovernmental	\$ 3,477,945	\$ 3,477,820	\$ 125
Charges for services	14,359	12,730	1,629
Use of money and property	3,626	250	3,376
Fines, forfeitures and penalties	169,978	170,000	[22]
Friends of the Library	68,891	-	68,891
Other donations	1,035,882	-	1,035,882
Miscellaneous	5,319	-	5,319
Total Revenues	<u>4,776,000</u>	<u>\$ 3,660,800</u>	<u>\$ 1,115,200</u>
Expenditures:			
Salaries	2,273,204	\$ 2,262,000	\$ [11,204]
Books, periodicals and materials	513,309	540,000	26,691
Repairs and equipment	997,287	96,000	[901,287]
Travel	26,076	29,000	2,924
Photocopies	6,341	8,000	1,659
Supplies	112,296	111,800	[496]
Utilities	88,568	107,000	18,432
Capital outlay	24,243	-	[24,243]
Insurance	11,758	16,000	4,242
Postage	16,751	25,000	8,249
Payroll taxes	155,762	156,500	738
KPERS	185,337	185,500	163
Professional fees	178,731	70,000	[108,731]
Programs	68,395	20,000	[48,395]
Miscellaneous	121,474	34,000	[87,474]
Transfer out	54,535	-	[54,535]
Total Expenditures	<u>4,834,067</u>	<u>\$ 3,660,800</u>	<u>\$ [1,173,267]</u>
Revenues Over [Under] Expenditures	[58,067]		
Fund Balance, January 1	584,369		
Encumbrances Outstanding	<u>38,000</u>		
Fund Balance, December 31	<u>\$ 564,302</u>		

The notes to financial statements are an integral part of this statement.

LAWRENCE FREE PUBLIC LIBRARY  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended December 31, 2014

1. Summary of Significant Accounting Policies

A. Component Unit

The Lawrence Free Public Library (the Library) is a related municipal entity of the City of Lawrence, Kansas. The Library building is owned by the City of Lawrence, Kansas, and taxes are levied by the City for Library operations. The Library has no related municipal entities of its own.

B. Government-wide and fund financial statements

The statement of net position and the statement of activities report information on all of the nonfiduciary activities of the Library as a whole. For the most part, the effect of interfund activity has been removed from these statements. All activities of the Library are governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational requirements of a particular program. Items which are not classified as program revenues are presented as general revenues of the Library.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual funds are reported as separate columns in the fund financial statements. There are no nonmajor funds.

C. Measurement Focus, Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available.

Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to certain compensated absences are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Interest income associated with the current fiscal period is considered to be susceptible to accrual and has been recognized as revenue of the current fiscal period. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

LAWRENCE FREE PUBLIC LIBRARY  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended December 31, 2014

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Accounting and Financial Statement Presentation (Continued)

The Library reports the following major governmental funds:

The General Fund is the Library's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Improvement Fund was authorized, under K.S.A. 12-1258, to transfer annually an amount from the general operating fund, not to exceed 10 percent of the amount of money credited to such fund, to a capital improvement fund.

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of others. Private trust funds account for assets where both principal and interest may be spent. Private purpose trust funds are accounted for in essentially the same manner as the governmental fund types.

D. Inventories

The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed.

E. Investments and Deposits

The Library's cash is considered to be active funds by management and is invested according to KSA 9-1401. The statute requires that banks eligible to hold active funds have a main or branch bank in the county in which the Library is located or in an adjacent county and the banks provide an acceptable rate for active funds.

Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. The Library's deposit policy for custodial credit risk require that the depository banks will maintain 100% security in the form of FDIC coverage and pledged collateral according to KSA 9-1402.

The Library has no policies to limit deposit risks beyond state statutes.

F. Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not included in the capital assets reported on the statement of net position. Capital assets are defined by the Library as tangible assets with an initial, individual cost of more than \$1,000. Capital assets of the Library are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Equipment	5
Building Improvements	20
Collection	10

LAWRENCE FREE PUBLIC LIBRARY  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended December 31, 2014

1. Summary of Significant Accounting Policies (Continued)

G. Vacation and Sick Pay

The Library's policy regarding vacation pay permits employees to accumulate a maximum of 28 days. In addition, employees are allowed to accumulate a maximum of 90 days sick leave. Employees are paid unused vacation and 25 percent of unused sick leave upon termination. A liability for unused vacation and sick leave in the amount of \$207,156 is accounted for in the government wide financial statements.

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

I. Fund Balance Reserves

In the fund financial statements, governmental funds report fund balance in the following classifications: nonspendable, restricted, committed, assigned and unassigned. Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Restricted fund balance indicates that constraints have been placed on the use of resources either by being externally imposed by creditors, grantors, contributors, or laws or regulation of other governments or imposed by law through constitutional provisions or enabling legislation. Committed fund balances include amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Library Board. Assigned fund balances include amounts that are constrained by the Library management's intent to be used for specific purposes, but are neither restricted nor committed. Unassigned fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available restricted amounts are considered to be spent first. When an expenditure is incurred for purposes for which committed, assigned, or unassigned fund balance is available, the following is the order in which resources will be expended: committed, assigned and unassigned.

The following is the detail for fund balance classifications in the financial statements:

	<u>Major Governmental Funds</u>	
	<u>General Fund</u>	<u>Other Governmental Funds</u>
Fund Balances:		
Restricted for:		
Culture and Recreation	\$ 69,763	\$ -
Assigned for:		
Culture and Recreation	38,000	
Capital Improvement	-	617,879
Unassigned:	<u>456,539</u>	<u>-</u>
Total Fund Balances	<u>\$ 564,302</u>	<u>\$ 617,879</u>

LAWRENCE FREE PUBLIC LIBRARY  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended December 31, 2014

1. Summary of Significant Accounting Policies (Continued)

J. Net Position

Net position represents the difference between assets and liabilities. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Library or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

2. Stewardship, Compliance and Accountability

Budgetary Information

The Lawrence Free Public Library is a related municipal entity of the City of Lawrence, Kansas. Under Charter Ordinance No. 16, the governing body of the City of Lawrence, Kansas, maintains the tax levy for the maintenance of the Lawrence Free Public Library, and is responsible for publishing a budget for the Library Fund showing the tax funds to be paid to the Lawrence Free Public Library. It should be noted the budget figures in this report are internally prepared for management purposes only and are not required to be published.

3. Retirement Plans

*Plan Description.* The Library participates in the Kansas Public Employees Retirement System (KPERS). PERS is a cost-sharing multiple-employer defined benefit pension plan as provided by Kansas law. KPERS provides retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 South Kansas, Suite 100, Topeka, Kansas 66603) or by calling 1-888-275-5737.

*Funding Policy.* K.S.A. 74-419 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate at 5% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. The employer collects and remits member-employee contributions according to the provision of section 414(h) of the Internal Revenue Code. Kansas law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates.

4. Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Library carries commercial insurance to cover such contingencies. Settlements have not exceeded insurance coverage for each of the past three years.

5. Economic Dependency

The Library is economically dependent on the City of Lawrence. Any reduction or termination of the City's financial support could have a significantly negative impact on the Library.

6. Related Party Transaction

A Library board member is a senior vice president at a banking institution that holds a portion of the Library's cash deposits.

LAWRENCE FREE PUBLIC LIBRARY  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended December 31, 2014

7. Changes in Capital Assets

A summary of changes in capital assets follows:

	Restated Balance January 1, 2014	Additions	Retirements	Balance December 31, 2014
Collection	\$ 3,753,526	\$ 513,347	\$ 872,941	\$ 3,393,932
Equipment	828,361	911,791	573,068	1,167,083
Totals at historical cost	<u>4,581,887</u>	<u>1,425,138</u>	<u>1,446,009</u>	<u>4,561,016</u>
Less accumulated depreciation for:				
Collection	1,520,675	427,736	663,857	1,284,554
Equipment	765,249	204,042	553,004	416,287
Total accumulated depreciation	<u>2,285,923</u>	<u>631,778</u>	<u>1,216,860</u>	<u>1,700,841</u>
Governmental activities capital assets, net	<u>\$ 2,295,963</u>	<u>\$ 793,360</u>	<u>\$ 229,149</u>	<u>\$ 2,860,175</u>

The Library's total depreciation expense was charged to governmental functions as follows:

Culture and recreation	<u>\$ 631,778</u>
------------------------	-------------------

8. Transfers

A reconciliation of transfers by fund type for 2014 follows:

From	To	Statutory Authority	Amount
General	Capital Improvement	K.S.A. 12-16,102	<u>\$ 54,535</u>
	Total		<u>\$ 54,535</u>

9. Postemployment Healthcare Plan

**Plan Description.** The Library operates a single employer defined benefit healthcare plan administered by the Library. The Employee Benefit Plan (the Plan) provides healthcare insurance for eligible early retirees and their spouses through the Library's group health insurance plan, which covers both active and retired members. KSA 12-5040 requires all local governmental entities in the state that provide a group health care plan to make participation available to all retirees and dependents until the retiree reaches the age of 65 years. No separate financial report is issued for the Plan.

**Funding Policy.** The contribution requirements of plan participants and the Library are established and amended by the Library. The required contribution is based on projected pay-as-you-go financing requirements. The Library made no contributions to the Plan for the year ended December 31, 2014. Plan participants do not currently include any retirees.



LAWRENCE FREE PUBLIC LIBRARY  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended December 31, 2014

9. Postemployment Healthcare Plan (Continued)

Annual OPEB Cost and Net OPEB Obligation. The Library's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The Library has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Library's annual OPEB cost for the Plan for the year, the amount actually contributed to the plan, and the changes in the Library's net OPEB obligation to the Plan:

Annual required contribution (ARC)	\$ 5,262
Interest on Net OPEB Obligation	-
Adjustment to the ARC	<u>[293]</u>
Annual OPEB cost (expense)	4,969
Benefit payments	<u>-</u>
Change in net OPEB obligation	4,969
Net OPEB obligation - beginning of year	<u>1,691</u>
Net OPEB obligation - end of year	<u><u>\$ 6,660</u></u>

The Library's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended December 31, 2014 was as follows:

Fiscal Year <u>Ended</u>	Annual OPEB Cost <u>Cost</u>	Annual OPEB Cost <u>Contributed</u>	Net OPEB <u>Obligation</u>
December 31, 2012	\$ 581	\$ -	\$ 1,098
December 31, 2013	593	-	1,691
December 31, 2014	4,969	-	6,660

Funding Status and Funding Progress. As of the year ended December 31, 2014, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits was \$6,660 and the actuarial value of asset was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,660. The covered payroll (annual payroll of active employees covered by the plan) was \$1,785,000 and the ratio of the UAAL to the covered payroll was .37%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statement, presents multiyear trend information about whether the actuarial value of plan assets (if any) are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

LAWRENCE FREE PUBLIC LIBRARY  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended December 31, 2014

9. Postemployment Healthcare Plan (Continued)

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan participants) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan participants to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employees – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 62.

Marital status – Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality – Life expectancies were based on the RP-2000 Mortality Table for Males and Females.

Turnover – Standard turnover data from GASB Statement 45 Paragraph 35b were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare cost trend rate – The expected rate of increase in healthcare premiums used in the analysis were developed to be consistent with the Getzen model promulgated by the Society of Actuaries for use in long term trend projections.

Based on the historical and expected returns of the Library's short term investment portfolio, a discount rate of 2.0 percent was used. In addition, the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2014 was twenty-nine years.

10. Net Position Restatement

The beginning net position of the governmental activities was restated for capital asset and accumulated depreciation adjustments in the prior year. The effects of which are as follows:

Beginning net position	\$ 3,297,698
Prior period adjustment	<u>[10,723]</u>
Beginning net position, restated	<u>\$ 3,286,975</u>

LAWRENCE FREE PUBLIC LIBRARY  
OTHER POST-EMPLOYMENT BENEFITS  
REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended December 31, 2014

Schedule of Funding Progress

Actuarial	Actuarial	Actuarial	Unfunded	Funded	Covered	UAAL as
Valuation	Value of	Accrued	AAL	Ratio	Payroll	Percent of
<u>Date</u>	<u>Assets (a)</u>	<u>Liability (b)</u>	<u>(b) - (a)</u>	<u>(a)/(b)</u>	<u>(c)</u>	<u>(b)-(a)/(c)</u>
12/31/2010	\$ -	\$ 87,866	\$ 87,866	\$ -	\$ 1,895,433	4.64%
12/31/2011	-	1,131	1,131	-	1,785,000	0.06%
12/31/2013	-	6,660	6,660	-	2,003,054	0.33%